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CENTRAL INTELLIGENCE AGENCY  
INFORMATION REPORT

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SUBJECT Tipping, "Key money", Payroll deductions/Public Health, Hospitalization/Selection of Medical Students

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2. "Key money" is still in existence in Shanghai although both parties are punishable if found guilty of the practice. It is usually carried on through the guise of payment for the furniture. When you wish to move from one place to another, you must report your intention three or four days prior to moving to your local police station. Upon arrival at your new place of residence, you must report to that district police station and fill in a form which registers you as belonging in that district. If, for any reason, you wished to maintain two residences, you would have to report both which might raise some question on the part of the police. I knew one fellow who was staying far out of town in an apartment which was provided by the organization for which he worked. He also maintained a room down-town in the old French concession - a fact which he mentioned to the police when registering. Because most landlords seem to prefer foreigners, foreigners find it easiest to locate housing. Many Chinese tenants pay key money for the furniture, pay rent in advance for a few months, and then simply stop paying rent. Boarding foreigners raises no particular problem as far as registering with the police unless there is some suspicious activity carried on.

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- 25X1X 3. There are no personal taxes but there was a one and one-half to three per cent deduction for the Labor Bureau's "unemployment fund" from my gross monthly income. Though I was not a member of the union, I believe membership dues were about one per cent of a worker's gross income. The unemployment fund is generally collected by the labor unions and then passed onto the labor bureau. Not being a union member does not excuse one from paying into the unemployment fund. We had a bit of a squabble with the union and labor bureau as to whether or not people in senior positions who, as representatives of capital, were not eligible for union membership still had to contribute to the fund. They decided that everyone had to pay and so the tax was deducted prior to issuing the pay check. There were quite a number of other deductions made for union purposes. Most of the union bookkeeping [redacted] accounts department just because the union didn't have the facilities or personnel to do it. If the number of employees in a company exceeded 3000 they could have only five full-time union officials relieved from work within the company. Actually, the number of full-time union officials always was excessive despite much effort by the unions to do only legal things. Today, workers buy clothing and food on the installment plan through the cooperative store systems which are well run and very popular. The costs of these large purchases of foodstuff or commodities are spread over two or three months and the unions collect by payroll deductions.
- 25X1X 4. There were quite a lot of new commodities flowing into Shanghai in January 1954 including textiles of Czech manufacture which were not always of good quality. I had occasion to buy some Czech drawing instruments for our engineer department and they proved to be inferior. There were no items of Japanese manufacture evident [redacted]. There were some Polish textiles but they were far above the reach of the average Chinese employee, and most of them were sold through what they called the government stores and not coops. The government stores are rather well established department stores and quite well stocked, starting with razor blades and ending with motorcycles. The only important item I can think of that was very popular among the workers were bicycles. The Chinese are now manufacturing their own bicycles which are excellent. Sometimes bicycles are sold on the installment plan through the union which makes them accessible to most workers. Some of the Chinese bicycles were definitely manufactured in Shanghai. I saw others arrive in box cars through I don't know where they were made. They were covered with paper tape wound around the frames and grease on the chromium-plated parts.
- 25X1X 5. Clothing is very much regimented and I would say that ninety per cent of the Chinese wear blue tunics and caps which are very simple and something like those worn by their leaders. A railroad laborer is not distinguished from a cement worker by the dress he wears but rather by his trade union badge. Sometimes even the wealthy owners of big manufacturing concerns wear the cotton blue uniform on top of their British tweeds. Actually, most of the enterprises are dispensing with union badges now and substituting just the badge of the enterprise. For example, [redacted] prior to take-over only the union members wore a badge but now everyone wears the transportation enterprise badge. These metal badges are usually worn on the left hand side over the breast pocket. Some people wear them under the lapel of their jacket if they're wearing street clothes, or inside the breast pocket. Most companies are very strict on security now a days and most offices have a desk at the entrance and you can't get in to see anybody without reporting to that desk. They ask for the name of the person whom you intend to see, the purpose of the visit and they also note the time of the visit. In most cases, the person you're going to see must come to the desk and sign a slip which you must show later in order to leave the building. This is true even in toy manufacturing companies or in any business office in the city. It is security carried to a ridiculous measure. Some of the higher-ups just smile at the practices, feeling it is better to be too secure rather than not secure enough.
6. Pharmaceuticals are strictly controlled. For one thing, penicillin was in short supply for several months. Originally the penicillin was predominantly of US manufacture; however, now there is some made in Shanghai. The same is true of streptomycin, aureomycin and chloromycetin. Later on French antibiotic products appeared on the market. Although there was some local production of antibiotics it was more expensive than the imported stuff, probably because they didn't have the know-how and techniques. There is still more of a demand for Western products.

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7. [REDACTED] there was quite a squabble about removing foreign languages entirely from all phases of Chinese life. Doctors had a difficult time with this demand and immediately it was decided, for the time being, not to enforce the ban. The doctors are still making out their prescriptions in English, or in some cases in Latin. Most simple prescriptions can be easily obtained; narcotics are almost impossible to get since you have to get special permission and doctors have to be very careful about prescribing these. This regulation is strictly enforced because they are very short on narcotics and because of the usual concern about addiction. The control is very rigid in Shanghai and so I imagine addiction is on the down grade. I know of no government-sponsored curative processes for addicts; only jail sentences. Sometime ago there was a campaign against addiction and the theme song was that it weakened the nation. Now instead of narcotics everyone is to find comfort in calisthenics and morning exercises. This physical exercise is a must in all offices, organizations and schools everywhere. Radio stations have made special records and pamphlets with illustrations describing physical exercises and distributed them extensively. Special charts of exercises are available through the labor unions and all the book stores. All calisthenics are standardized so that when the music is heard or the instructor calls the name of an exercise, everyone knows what to do. All offices and factories have a public address system which can be switched into the main government radio channels. At one time all business houses installed public address systems but later on they found that it was too much of a distraction from work and now their use is restricted. At 8AM when most of the offices, workshops and factories open, they'll have ten to fifteen minutes of exercise with music from the public address system and after that a brief address, either an announcement of news concerning the labor union members, a general meeting, or announcements by the management which seldom take more than five minutes. If there was some very important news of political significance, they would probably make a brief announcement describing the nature of the thing and say that the particulars would be given during the meeting which would follow, and sign off. The next radio period in most places came at 4 o'clock with more physical exercise and announcements.
8. In Jan 54, judging by the dial on the radio, there were about eight radio stations operating in Shanghai. Possibly some of them were just different channels of the same station. I would say that the most important station from the volume output standpoint is the one located on the premises of the old US Consulate. Intensive courses in Russian are given over practically all the stations as a regular program. As far as I could tell, the instructor was Russian and had a Chinese assistant. The instructor read the lesson and the Chinese assistant explained the content. They have excellent instructive programs, mostly directed by the Institute of Russian Language. You can sign up through the radio station for courses in Russian and groups are encouraged to exchange views and discuss language problems. The Russian education is entirely separate from the mass education system. I would say that most of the people who teach the radio and private lessons, most of which are to be had through the Sino-Soviet Friendship Association, are local Russians.
9. Incentive bonuses are becoming prevalent. There are safety bonuses and attendance bonuses; even clerks in offices are participating these days since everyone wants to be a "worker" or "laborer." These words invariably appear after the word "occupation" on forms regardless of the individual's position in a firm or business.
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10. Most ex-foreign-operated companies have their own benefit system in case of injury. Approximately one and one-half years [REDACTED] ago most of the big companies, including the foreign-operated ones, had to sign "labor insurance contracts." The idea was that the several benefits existing prior to the signing of such contracts should be completely abolished, but as far as I know, in most cases, they were just included in the new labor contracts which give very specific details on hospitalization, clinical treatment, both for employees themselves and their relatives. There are lots of doctors in Shanghai and they are desperately trying to get jobs with big firms, preferably foreign-operated. Though there are many doctors, there is a shortage of experienced doctors. Some companies under government control are allowed to pay doctors higher salaries than those stipulated by regulations. The doctors usually belong to the union of the company for which they are working. Most of the large companies, including foreign or ex-foreign-operated ones, have their own clinics and others like the bus company have their own hospitals. These hospitals are often cooperative enterprises; that is, run by several companies. The Shanghai Power Company has a very luxurious hospital.

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11. The selection of students for attendance at the medical schools seems to be decided by the government rather than by the students themselves. College students today are told by the government that they will study engineering or medicine. Usually, the most proficient students get medical or scientific training. The next lower level attend engineering school and the balance of the college students study languages. [REDACTED] teachers at the Russian Language Institute complain because they had to teach the "Dumbo" group which was made up of the least promising students.

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